

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

**Number: 202005025
Release Date: 1/31/2020**

Employer Identification Number:

Contact Person - ID Number:

Date: November 5, 2019

Contact Telephone Number:

Legend:
x dollars = Amount
B = Date
C = Number range
D = Number range
y dollars = Amount

UIL:
4942.03-07

Dear :

Why you are receiving this letter

This is our response to your December 20, 2018, letter requesting approval of a set-aside under Internal Revenue Code (IRC) Section 4942(g)(2). You've been recognized as tax-exempt under IRC Section 501(c)(3) and have been determined to be a private foundation under Section 509(a).

Our determination

Based on the information furnished, your set-aside program is approved under IRC Section 4942(g)(2). As required under Section 4942(g)(2), the set-aside amount must be paid within the 60-month period after the date of the first set-aside.

Description of set-aside request

You requested to set aside x dollars in the fiscal year ending B to develop a plan to fund a scientific research program. The program will promote and fund high-impact, fundamental, and innovative scientific research programs in the areas of cancer, aging, and regeneration.

You expect to receive research proposals from C scientific research institutions annually and will choose D grant recipients based on factors such as expertise in cancer, aging, and regeneration research. Each grant will be for up to y dollars per year and will span two years, though recipients are eligible to apply for

additional -year terms. The size and number of grants may increase in future years depending on the availability of funds and the program's overall success.

Recipients will be required to submit annual progress reports on their research which will be used to confirm that the grant funds have been used for their intended charitable and scientific purposes. They will also be used to assess the success of the research and determine if an additional grant term is warranted.

You are requesting a set-aside due to the nature of the timeline of your program, which is generally more involved than any other project you have undertaken in the past. You require a start-up period to create and publicize the program, then to review and select recipients, which does not allow for funding through immediate payments. The set-aside will ensure funding is in place for continuity of the program. Your timeline also allows for a second round of research proposals to be evaluated if you do not receive enough proposals that satisfy the grant criteria in the first round. Therefore, your project can be better accomplished by a set-aside rather than the immediate payment of funds.

You provided a statement signed by one of your officers that states the amount to be set-aside will be paid out within 60 months after the date of the set-aside, though you anticipate that the amount will be paid out within approximately 48 months of the date of the set-aside. You do not expect to make any additions to the set-aside after its initial establishment.

Basis for our determination

IRC Section 4942(g)(2)(A) states that an amount set-aside for a specific project, which includes one or more purposes described in Section 170(c)(2)(B), may be treated as a qualifying distribution if it meets the requirements of Section 4942(g)(2)(B).

IRC Section 4942(g)(2)(B) states that an amount set-aside for a specific project will meet the requirements of this subparagraph if, at the time of the set-aside, the foundation establishes that the amount will be paid within five years and either clause (i) or (ii) are satisfied.

IRC Section 4942(g)(2)(B)(i) is satisfied if, at the time of the set-aside, the private foundation establishes that the project can better be accomplished using the set-aside than by making an immediate payment.

Treasury Regulation Section 53.4942(a)-3(b)(1) provides that a private foundation may establish a project as better accomplished by a set-aside than by immediate payment if the set-aside satisfies the suitability test described in Treas. Reg. Section 53.4942(a)-3(b)(2).

Treas. Reg. Section 53.4942(a)-3(b)(2) provides that specific projects better accomplished using a set-aside include, but are not limited to, projects where relatively long-term expenditures must be made requiring more than one year's

income to assure their continuity.

In Revenue Ruling 74-450, 1974-2 C.B. 388, an operating foundation converted a portion of newly acquired land into a public park under a four-year construction contract. The construction contract payments were to be made mainly during the final two years. This constituted a "specific project." The foundation's set-aside of all its excess earnings for four years was treated as a qualifying distribution under IRC Section 4942(g)(2).

What you must do

Your approved set-aside(s) will be documented on your records as pledges or obligations to be paid by the date specified. The amounts set-aside will be taken into account to determine your minimum investment return under IRC Section 4942(e)(1)(A), and the income attributable to your set-aside(s) will also be taken into account in computing your adjusted net income under IRC Section 4942(f).

Additional information

This determination is directed only to the organization that requested it. IRC Section 6110(k)(3) provides that it may not be used or cited as a precedent.

Please keep a copy of this letter in your records. We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person listed in the heading of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements